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# **PRELIMINARY DRAFT**

## **No. 3166**

**PREPARED BY  
LEGISLATIVE SERVICES AGENCY  
2010 GENERAL ASSEMBLY**

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### **DIGEST**

**Citations Affected:** IC 36-8-8.

**Synopsis:** Partial lump sum distribution from 1977 pension fund. Provides that, before July 1, 2012, an active member of the 1977 police officers' and firefighters' pension and disability fund who is eligible to receive an unreduced retirement benefit may elect to receive at retirement a partial lump sum distribution equal to the member's monthly benefit times the member's years of creditable service in exchange for an actuarially reduced monthly benefit.

**Effective:** July 1, 2010.



A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 36-8-8-11 IS AMENDED TO READ AS  
2       FOLLOWS [EFFECTIVE JULY 1, 2010]: Sec. 11. (a) Benefits paid  
3       under this section are subject to section 2.5 of this chapter.

4       (b) **Except as provided in section 24 of this chapter**, each fund  
5       member who qualifies for a retirement benefit payment under section  
6       10(b) of this chapter is entitled to receive a monthly benefit equal to  
7       fifty percent (50%) of the monthly salary of a first class patrolman or  
8       firefighter in the year the member ended his active service plus:

9               (1) for a member who retires before January 1, 1986, two percent

10              (2%) of that salary for each full year of active service; or

11              (2) for a member who retires after December 31, 1985, one  
12              percent (1%) of that salary for each six (6) months of active  
13              service;

14       over twenty (20) years, to a maximum of twelve (12) years.

15       (c) Each fund member who qualifies for a retirement benefit  
16       payment under section 10(c) of this chapter is entitled to receive a  
17       monthly benefit equal to fifty percent (50%) of the monthly salary of  
18       a first class patrolman or firefighter in the year the member ended ~~his~~  
19       **the member's** active service plus one percent (1%) of that salary for  
20       each six (6) months of active service over twenty (20) years, to a  
21       maximum of twelve (12) years, all actuarially reduced for each month  
22       (if any) of benefit payments prior to fifty-two (52) years of age, by a  
23       factor established by the fund's actuary from time to time.

24       SECTION 2. IC 36-8-8-24 IS ADDED TO THE INDIANA CODE  
25       AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
26       1, 2010]: Sec. 24. (a) **This section does not apply to a fund member**  
27       **who elects to enter the DROP (as defined in IC 36-8-8.5-4) under**  
28       **IC 36-8-8.5.**

29       (b) **Benefits paid under this section are subject to section 2.5 of**  
30       **this chapter.**

31       (c) **As used in this section, "partial lump sum distribution"**



1 means the amount calculated under subsection (f).

2 (d) After June 30, 2010, a fund member may elect to receive at  
3 retirement a partial lump sum distribution if the fund member  
4 meets all of the following requirements on the date of the election:

5 (1) The fund member is in active service.

6 (2) The fund member qualifies for a retirement fund benefit  
7 payment under section 10(b) of this chapter.

8 (e) A fund member's election under subsection (d):

9 (1) must be in writing;

10 (2) must be filed with the PERF board, on a form prescribed  
11 by the PERF board; and

12 (3) is irrevocable.

13 (f) The partial lump sum distribution for a fund member who  
14 makes an election described in subsection (d) is determined in  
15 STEP TWO of the following formula:

16 STEP ONE: Determine the lesser of the following:

17 (A) The fund member's years of service for which the fund  
18 member has received service credit in the fund.

19 (B) Thirty-two (32).

20 STEP TWO: Multiply the STEP ONE amount by the fund  
21 member's monthly benefit calculated under section 11(b) of  
22 this chapter.

23 (g) The monthly benefit of a fund member who receives a partial  
24 lump sum distribution under this section is actuarially reduced by  
25 subtracting an amount determined by dividing the partial lump  
26 sum distribution amount determined in subsection (f) by a rate,  
27 determined by the actuary for the fund, that is:

28 (1) based on the age of the fund member and, if applicable, the  
29 age of the fund member's spouse at the time the fund member  
30 elects to take the partial lump sum distribution; and

31 (2) computed to result in a monthly benefit amount that has  
32 an actuarial present value that approximates the partial lump  
33 sum distribution amount.

34 (h) A fund member who makes an election described in  
35 subsection (d) must elect to receive the partial lump sum  
36 distribution determined in subsection (f) as:

37 (1) a lump sum paid not later than thirty (30) days after the  
38 fund member's retirement date; or

39 (2) three (3) equal annual payments commencing not later  
40 than thirty (30) days after the fund member's retirement date  
41 and thereafter paid on the anniversary of the fund member's  
42 retirement date.

43 (i) This section expires July 1, 2012.

